



Mary Taylor, CPA
Auditor of State

VILLAGE OF DELLROY
CARROLL COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Dellroy
Carroll County
2 East Main Street
P.O. Box 174
Dellroy, Ohio 44620-0174

To Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Dellroy, Carroll County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2C, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Dellroy, Carroll County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General and Street Construction, Maintenance, and Repair Funds thereof for the years then ended in conformity with the basis of accounting Note 2C describes.

For the years ended December 31, 2007 and 2006, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 16, 2008

Village of Dellroy
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2007
Unaudited

This discussion and analysis of the Village of Dellroy's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006 and 2007, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities decreased \$17,293, or 26 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2006; however, cost increases affected most funds.

The Village's general receipts are primarily property taxes. These receipts represent 29 percent of the total cash received for governmental activities during the year. Property receipts for 2006 changed very little compared to 2005 as development within the Village has slowed.

This year the Village purchased real estate property located within the Village at 1901 Explorer Road, Dellroy, Ohio in the amount of \$25,254 and a new lawn tractor for \$7,850 that had not originally been appropriated within the budget.

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$2,237, or 5 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund.

The Village's general receipts are primarily property taxes. These receipts represent 27 percent of the total cash received for governmental activities during the year. Property tax receipts for 2007 changed very little compared to 2006 as development within the Village has slowed.

This year the Village of Dellroy had major expenses for repairs (\$2,168) on the Police Department's Cruiser along with replacing the truck bed on our dump truck (\$6,552) for the Street Department. We also had not budgeted for the entire tree trimming and cutting that resulted from storms (\$3,275). We also replaced catch basins (\$3,290) when there was street paving done and had some remodeling, repairs, and replacement of garage doors done.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

Using the Basic Financial Statements
(Continued)

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

Our Village of Dellroy only has governmental activities. We do have three Special Revenue Funds in our governmental activities that are restricted.

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Village reports one type of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, and streets. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Village of Dellroy
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2007
Unaudited

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

Governmental Funds - All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund and Street Construction, Maintenance and Repair Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Village as a Whole

The table below provides a summary of the Village's net assets for 2006 compared to 2005 and for 2007 compared to 2006 on a modified cash basis:

	Net Assets			
	<u>Governmental Activities</u>		<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2007</u>	<u>2006</u>
Assets				
Cash and Cash Equivalents	\$47,748	\$65,041	\$49,985	\$47,748
Total Assets	<u>\$47,748</u>	<u>\$65,041</u>	<u>\$49,985</u>	<u>\$47,748</u>
Net Assets				
Restricted for:				
Other Purposes	15,256	13,475	13,805	15,256
Unrestricted	<u>32,492</u>	<u>51,565</u>	<u>36,180</u>	<u>32,492</u>
Total Net Assets	<u>\$47,748</u>	<u>\$65,040</u>	<u>\$49,985</u>	<u>\$47,748</u>

As mentioned previously, net assets of governmental activities decreased \$ 17,293 or 26 percent during 2006. The primary reasons contributing to the decreases in cash balances are as follows:

- Unanticipated slow growth in local tax receipts. Due to the slowing economy, growth has been reduced.
- The Village made a purchase of additional real estate for the cost of \$25,254 and a new lawn tractor for \$7,850 that had not been anticipated in the budget.

Village of Dellroy
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2007
Unaudited

The Village as a Whole
(Continued)

As mentioned previously, net assets of governmental activities decreased \$2,237 or 5 percent during 2007. The primary reasons contributing to the increases in cash balances are as follows:

- Miscellaneous receipt of \$1,355 for insurance check received for replacement of items damaged and destroyed by lightning striking in Marshall's Department.
- Sale of Fixed Assets not anticipated in Budget.

The table below reflects the changes in net assets on a modified cash basis in 2006 compared to 2005 and 2007 compared to 2006 for governmental activities.

Changes in Net Assets

	<u>Governmental</u>		<u>Governmental</u>	
	Activities		Activities	
	<u>2006</u>	<u>2005</u>	<u>2007</u>	<u>2006</u>
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$526	\$330	\$1,655	\$526
Operating Grants and Contributions	<u>16,884</u>	<u>18,763</u>	<u>17,835</u>	<u>16,884</u>
Total Program Receipts	<u>17,410</u>	<u>19,093</u>	<u>19,490</u>	<u>17,410</u>
General Receipts:				
Property and Other Local Taxes	26,935	30,920	26,092	26,935
Grants and Entitlements Not Restricted to Specific Programs	46,844	43,323	46,775	46,844
Interest	73	76	70	73
Miscellaneous	<u>1,095</u>	<u>150</u>	<u>2,649</u>	<u>1,095</u>
Total General Receipts	<u>74,947</u>	<u>74,469</u>	<u>75,586</u>	<u>74,947</u>
Total Receipts	<u>92,357</u>	<u>93,562</u>	<u>95,076</u>	<u>92,357</u>
Disbursements:				
General Government	41,461	37,857	40,133	41,461
Security of Persons and Property:	19,790	23,005	20,067	19,790
Public Health Services	1,609	1,609	1,690	1,609
Economic Development	89	44	44	89
Transportation	15,597	17,401	19,376	15,597
Capital Outlay	<u>31,104</u>	<u> </u>	<u>11,529</u>	<u>31,104</u>
Total Disbursements	<u>109,650</u>	<u>79,916</u>	<u>92,839</u>	<u>109,650</u>
Increase (Decrease) in Net Assets	(17,293)	13,646	2,237	(17,293)
Net Assets, January 1, 2006	<u>65,041</u>	<u>51,395</u>	<u>47,748</u>	<u>65,041</u>
Net Assets, December 31, 2006	<u>\$47,748</u>	<u>\$65,041</u>	<u>\$49,985</u>	<u>\$47,748</u>

Village of Dellroy
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2007
Unaudited

The Village as a Whole
(Continued)

Program receipts represent only 19 percent in 2006 and 20 percent in 2007 of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 81 percent in 2006 and 80 percent in 2007 of the Village's total receipts, and of this amount, over 29 and 27 percent are local taxes in 2006 and 2007, respectively. State and federal grants and entitlements make up the balance of the Village's general receipts (51 and 49 percent in 2006 and 2007, respectively). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Government activities. These include the costs of council, and the auditor, treasurer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we have limited these costs to 55 percent of General Fund unrestricted receipts in 2006 and 53 percent in 2007.

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statements of Activities on pages 12 and 18 for 2006 and 2007, respectively, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property, which account for 14 and 18 percent of all governmental disbursements, respectively for 2006. For 2007, the major program disbursements for governmental activities are for transportation and security of persons and property, which account for 21 and 21 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 38 percent in 2006 and 43 percent in 2007. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in the tables below.

Village of Dellroy
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2007
Unaudited

The Village as a Whole
(Continued)

2006				
Governmental Activities				
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$41,461	\$40,935	\$37,857	\$37,527
Security of Persons and Property	\$19,790	\$19,790	\$23,005	\$23,005
Public Health Services	1,609	1,609	1,609	1,609
Economic Development	89	89	44	44
Transportation	15,597	(1,287)	17,401	(1,362)
Capital Outlay	31,104	31,104		
Total Expenses	\$109,650	\$92,240	\$79,916	\$60,823

2007				
Governmental Activities				
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$40,133	\$38,478	\$41,461	\$40,935
Security of Persons and Property	\$20,067	\$20,067	\$19,790	\$19,790
Public Health Services	1,690	1,690	1,609	1,609
Economic Development	44	44	89	89
Transportation	19,376	1,541	15,597	(1,287)
Capital Outlay	11,529	11,529	31,104	31,104
Total Expenses	\$92,839	\$73,349	\$109,650	\$92,240

The dependence upon property tax and Grants and Entitlement receipts are apparent as over 84 percent of governmental activities are supported through these general receipts in 2006 and 79 percent in 2007.

The Village's Funds

For 2006, total governmental funds had receipts of \$92,358 and disbursements of \$109,650. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$19,073 as the result of not achieving anticipated growth in income and property tax receipts.

For 2007, total governmental funds had receipts of \$95,076 and disbursements of \$92,839. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$3,688.

General Fund Budgeting Highlights

2006:

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Village of Dellroy
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2007
Unaudited

General Fund Budgeting Highlights
(Continued)

During 2006, the Village did not amend its General Fund budget. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$113,497 while actual disbursements were \$89,418. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

2007:

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2007, the Village did not amend its General Fund budget. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$95,686 while actual disbursements were \$68,635. Although receipts failed to live up to expectations, appropriations were not reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2007; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan became effective for 2006. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Village. All departments have been asked to reduce their spending for supplies by 10 - 20 percent.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Amy L. Graham, Clerk-Treasurer, Village of Dellroy, 2 East Main Street, P.O. Box 174, Dellroy, Ohio 44620.

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VILLAGE OF DELLROY
CARROLL COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	Governmental Activities
Assets	
Cash	<u>\$49,985</u>
Total Assets	<u><u>\$49,985</u></u>
Net Assets	
Restricted For	
Other Purposes	\$13,805
Unrestricted	<u>36,180</u>
Total Net Assets	<u><u>\$49,985</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DELLROY
CARROLL COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$40,133	\$1,655		(\$38,478)
Security of Persons and Property	20,067			(20,067)
Public Health Services	1,690			(1,690)
Community Environment	44			(44)
Transportation	19,376		\$17,835	(1,541)
Capital Outlay	11,529			(11,529)
Total	\$92,839	\$1,655	\$17,835	(\$73,349)
		General Receipts		
		Property Taxes Levied for:		
		General Purposes		26,092
		Cable Franchise Fees		648
		Grants and Entitlements not Restricted to Specific Programs		46,775
		Sale of Capital Assets		400
		Interest		70
		Miscellaneous		1,355
		Refund of Prior Year Expenditure		246
		Total General Receipts		75,586
		Change in Net Assets		2,237
		Net Assets Beginning of Year		47,748
		Net Assets End of Year		\$49,985

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF DELLROY
CARROLL COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$36,180	\$10,592	\$3,213	\$49,985
Total Assets	<u>\$36,180</u>	<u>\$10,592</u>	<u>\$3,213</u>	<u>\$49,985</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$104	\$453		\$557
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	36,076			36,076
Special Revenue Funds		10,139	\$3,213	13,352
Total Fund Balances	<u>\$36,180</u>	<u>\$10,592</u>	<u>\$3,213</u>	<u>\$49,985</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF DELLROY
CARROLL COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$21,462		\$4,380	\$25,842
Fines, Licenses and Permits	2,303			2,303
Intergovernmental	46,403	\$15,811	2,646	64,860
Interest	51	15	4	70
Miscellaneous	1,355			1,355
Total Receipts	71,574	15,826	7,030	94,430
Disbursements				
Current:				
General Government	40,133			40,133
Security of Persons and Property	14,644		5,423	20,067
Public Health Services	1,690			1,690
Community Environment	44			44
Transportation	792	15,492	3,092	19,376
Capital Outlay	11,229	300		11,529
Total Disbursements	68,532	15,792	8,515	92,839
Excess of Receipts Over (Under) Disbursements	3,042	34	(1,485)	1,591
Other Financing Sources (Uses)				
Sale of Capital Assets	400			400
Refund of Prior Year Expenditure	246			246
Total Other Financing Sources (Uses)	646			646
Net Change in Fund Balances	3,688	34	(1,485)	2,237
Fund Balances Beginning of Year	32,492	10,558	4,698	47,748
Fund Balances End of Year	\$36,180	\$10,592	\$3,213	\$49,985

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF DELLROY
CARROLL COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$23,835	\$23,835	\$21,462	(\$2,373)
Fines, Licenses and Permits	1,100	1,100	2,303	1,203
Intergovernmental	47,584	47,584	46,403	(1,181)
Interest	60	60	51	(9)
Miscellaneous	100	100	1,355	1,255
Total receipts	<u>72,679</u>	<u>72,679</u>	<u>71,574</u>	<u>(1,105)</u>
Disbursements				
Current:				
General Government	49,563	49,809	40,214	9,595
Security of Persons and Property	18,808	21,404	14,666	6,738
Public Health Services	1,690	1,690	1,690	0
Community Environment	125	125	44	81
Transportation	1,000	1,000	792	208
Capital Outlay	24,500	21,658	11,229	10,429
<i>Total Disbursements</i>	<u>95,686</u>	<u>95,686</u>	<u>68,635</u>	<u>27,051</u>
Excess of Receipts Over (Under) Disbursements	<u>(23,007)</u>	<u>(23,007)</u>	<u>2,939</u>	<u>25,946</u>
Other Financing Sources (Uses)				
Sale of Capital Assets			400	400
Refund of Prior Year Expenditure			246	246
Total Other Financing Sources (Uses)			<u>646</u>	<u>646</u>
Net Change in Fund Balance	(23,007)	(23,007)	3,585	26,592
Fund Balance Beginning of Year	32,416	32,416	32,416	
Prior Year Encumbrances Appropriated	76	76	76	
Fund Balance End of Year	<u><u>\$9,485</u></u>	<u><u>\$9,485</u></u>	<u><u>\$36,077</u></u>	<u><u>\$26,592</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF DELLROY
CARROLL COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$16,096	\$16,096	\$15,811	(\$285)
Interest	13	13	15	2
Total receipts	<u>16,109</u>	<u>16,109</u>	<u>15,826</u>	<u>(283)</u>
Disbursements				
Current:				
Transportation	19,931	19,931	15,945	3,986
Capital Outlay	300	300	300	
<i>Total Disbursements</i>	<u>20,231</u>	<u>20,231</u>	<u>16,245</u>	<u>3,986</u>
Net Change in Fund Balance	(4,122)	(4,122)	(419)	3,703
Fund Balance Beginning of Year	10,532	10,532	10,532	
Prior Year Encumbrances Appropriated	26	26	26	
Fund Balance End of Year	<u><u>\$6,436</u></u>	<u><u>\$6,436</u></u>	<u><u>\$10,139</u></u>	<u><u>\$3,703</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DELLROY
CARROLL COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	<u>Governmental Activities</u>
Assets	
Cash	<u>\$47,748</u>
Total Assets	<u><u>\$47,748</u></u>
Net Assets	
Restricted For	
Other Purposes	\$15,256
Unrestricted	<u>32,492</u>
Total Net Assets	<u><u>\$47,748</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DELLROY
CARROLL COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$41,461	\$526		(\$40,935)
Security of Persons and Property	19,790			(19,790)
Public Health Services	1,609			(1,609)
Community Environment	89			(89)
Transportation	15,597		\$16,884	1,287
Capital Outlay	31,104			(31,104)
Total	\$109,650	\$526	\$16,884	(\$92,240)
		General Receipts		
		Property Taxes Levied for:		
		General Purposes		26,935
		Cable Franchise Fees		620
		Grants and Entitlements not Restricted to Specific Programs		46,844
		Interest		73
		Miscellaneous		475
		Total General Receipts		74,947
		Change in Net Assets		(17,293)
		Net Assets Beginning of Year		65,041
		Net Assets End of Year		\$47,748

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF DELLROY
CARROLL COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	<u>General</u>	<u>Street Construction Maintenance and Repair</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$32,492	\$10,558	\$4,698	\$47,748
Total Assets	<u>\$32,492</u>	<u>\$10,558</u>	<u>\$4,698</u>	<u>\$47,748</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$76	\$26		\$102
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	32,416			32,416
Special Revenue Funds		10,532	\$4,698	15,230
Total Fund Balances	<u>\$32,492</u>	<u>\$10,558</u>	<u>\$4,698</u>	<u>\$47,748</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF DELLROY
CARROLL COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$22,338		\$4,597	\$26,935
Fines, Licenses and Permits	1,147			1,147
Intergovernmental	46,256	\$15,705	1,766	63,727
Interest	53	14	7	74
Miscellaneous	475			475
Total Receipts	70,269	15,719	6,370	92,358
Disbursements				
Current:				
General Government	41,461			41,461
Security of Persons and Property	14,729		5,062	19,791
Public Health Services	1,609			1,609
Community Environment	89			89
Transportation	350	13,232	2,014	15,596
Capital Outlay	31,104			31,104
Total Disbursements	89,342	13,232	7,076	109,650
Net Change in Fund Balances	(19,073)	2,487	(706)	(17,292)
Fund Balances Beginning of Year	51,565	8,071	5,404	65,040
Fund Balances End of Year	\$32,492	\$10,558	\$4,698	\$47,748

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF DELLROY
CARROLL COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$23,230	\$23,230	\$22,338	(\$892)
Fines, Licenses and Permits	995	995	1,147	152
Intergovernmental	48,150	48,150	46,256	(1,894)
Interest	65	65	53	(12)
Miscellaneous	100	100	475	375
Total receipts	<u>72,540</u>	<u>72,540</u>	<u>70,269</u>	<u>(2,271)</u>
Disbursements				
Current:				
General Government	54,337	54,337	41,514	12,823
Security of Persons and Property	21,885	21,885	14,752	7,133
Public Health Services	1,650	1,650	1,609	41
Community Environment	125	125	89	36
Transportation	1,000	1,000	350	650
Capital Outlay	34,500	34,500	31,104	3,396
<i>Total Disbursements</i>	<u>113,497</u>	<u>113,497</u>	<u>89,418</u>	<u>24,079</u>
Excess of Receipts Over (Under) Disbursements	<u>(40,957)</u>	<u>(40,957)</u>	<u>(19,149)</u>	<u>21,808</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	50	50		(50)
Total Other Financing Sources (Uses)	<u>50</u>	<u>50</u>		<u>(50)</u>
Net Change in Fund Balance	(40,907)	(40,907)	(19,149)	21,758
Fund Balance Beginning of Year	51,523	51,523	51,523	
Prior Year Encumbrances Appropriated	42	42	42	
Fund Balance End of Year	<u><u>\$10,658</u></u>	<u><u>\$10,658</u></u>	<u><u>\$32,416</u></u>	<u><u>\$21,758</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DELLROY
CARROLL COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
STREET CONSTRUCTION, MAINTENANCE, AND REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$14,904	\$14,904	\$15,705	\$801
Interest	12	12	14	2
Total receipts	<u>14,916</u>	<u>14,916</u>	<u>15,719</u>	<u>803</u>
Disbursements				
Current:				
Transportation	21,218	21,218	13,258	7,960
Capital Outlay	300	300		300
<i>Total Disbursements</i>	<u>21,518</u>	<u>21,518</u>	<u>13,258</u>	<u>8,260</u>
Net Change in Fund Balance	(6,602)	(6,602)	2,461	9,063
Fund Balance Beginning of Year	8,058	8,058	8,058	
Prior Year Encumbrances Appropriated	13	13	13	
Fund Balance End of Year	<u><u>\$1,469</u></u>	<u><u>\$1,469</u></u>	<u><u>\$10,532</u></u>	<u><u>\$9,063</u></u>

The notes to the financial statements are an integral part of this statement.

Note 1 – Reporting Entity

The Village of Dellroy, Carroll County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and bridges, and police services. The Village contracts with the Dellroy Volunteer Fire Department for fire protection.

B. Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

Note 2 – Summary of Significant Accounting Policies - (Continued)

The statement of net assets presents the cash balances, of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are all governmental.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General and the Street Construction, Maintenance, and Repair Funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction, Maintenance, and Repair Fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Restricted Assets

Cash is reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent revenue in the Street Construction, Maintenance and Repair, State Highway, and Fire Protection Funds.

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursements of their employer contributions to cost sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road construction, maintenance and repair and fire protection.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

2007:		
	Street Construction, Maintenance and Repair	\$10,592
	State Highway	3,213
2006:		
	Street Construction, Maintenance and Repair	\$10,558
	State Highway	4,277
	Fire Protection	421

Note 3 – Accountability and Compliance

A. Compliance

The Village did not properly certify disbursements as required by Ohio Revised Code Section 5705.41(D).

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General and Street Construction, Maintenance & Repair Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances that are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) for 2007 and 2006 amounted to \$104 and \$77 for the General Fund, respectively and \$453 and \$27 for the Street, Construction, Maintenance, and Repair Fund, respectively.

Note 5 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Village of Dellroy
Notes to the Financial Statements
For the Year Ended December 31, 2007 and 2006

Note 5 – Deposits and Investments - (Continued)

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2007 for real property taxes represent the collection of 2006 taxes. Property taxes received in 2007 for tangible personal property is for 2007 taxes.

Note 6 – Property Taxes - (Continued)

The 2007 real property taxes are levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. The 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

The 2007 tangible personal property taxes are levied after October 1, 2006, on the values as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$11.46 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$2,830,920.00
Commercial	475,350.00
Tangible Personal Property	67,070.00
Public Utility	110,990.00
Total Assessed Value	<u>\$3,494,330.00</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP.

APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

Note 7 – Risk Management - (Continued)

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year.

Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$7,611. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Note 7 – Risk Management - (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2005	\$6,673
2006	\$6,581
2007	\$6,618

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs, and township police) and safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007 and 2006, members in state and local classifications contributed 9.5 and 9 percent, respectively, of covered payroll.

The Village's contribution rates for 2007 and 2006 were 13.85 and 13.7 percent, respectively, of covered payroll. For the period of January 1 through June 30, 2007, a portion of the Village's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Village of 14 percent.

Note 8 – Defined Benefit Pension Plans - (Continued)

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$5,745, \$5,253, and \$5,622 respectively. The full amount has been contributed for 2007, 2006 and 2005. Contributions to the member-directed plan for 2007, 2006, and 2005 were \$3,414, \$3,177, and \$3,446, respectively, made by the Village and \$2,332, \$2,076, and \$2,176 respectively made by the plan members.

Note 9 – Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age, and service retirees under the traditional and combined plans must have ten or more years for qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan is presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007 and 2006, local government employers contributed 13.85 and 13.7 percent, respectively, of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare for 2007 was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 to December 31, 2007. The 2006 amount of the employer contributions which was allocated to fund postemployment healthcare was 4 percent of covered payroll.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006, and 2005 were \$2,281, \$1,534, and \$1,660 respectively. The full amount has been contributed for 2007, 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Dellroy
Carroll County
P.O. Box 174
Dellroy, Ohio 44620-0174

To Village Council:

We have audited the financial statements the governmental activities, each major fund and the aggregate remaining fund information of the Village of Dellroy, Carroll County (the Village) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 16, 2008, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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We noted certain matters that we reported to the Village's management in a separate letter dated July 16, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 16, 2008.

We intend this report solely for the information and use of management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 16, 2008

VILLAGE OF DELLROY
CARROLL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract of give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

1. **Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify the amount against the applicable appropriation accounts for 33 and 58 percent of tested expenditures in 2007 and 2006, respectively. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Clerk/Treasurer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response

We did not receive a response from officials to this finding.

VILLAGE OF DELLROY
CARROLL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revised Code Section 5705.41(D) Disbursements were not properly certified.	No	Cited again as Finding Number 2007-001.



Mary Taylor, CPA
Auditor of State

VILLAGE OF DELLROY

CARROLL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2008**